

Age UK, Barnardo's, Chartered Institute of Housing, Catch 22, Child Poverty Action Group, Children's Society, Citizens Advice, Community Links, Gingerbread, Grandparents Plus, Family Action, Homeless Link, Low Incomes Tax Reform Group, National Housing Federation, Oxfam, Platform 51, Save the Children, Scope, TUC, UNISON

Joint Briefing: for 2nd Reading of the Welfare Reform Bill House of Lords, 13th September 2011

Contact:

Bethan Collins, Public Affairs Manager Citizens Advice
0207 833 7098 | 07773 284048 | bethan.collins@citizensadvice.org.uk

Oliver Chantler, Policy and Public Affairs Officer, Barnardo's
020 8498 7733 | 07766 511 710 | oliver.chantler@barnardos.org.uk

This briefing is from an association of leading organisations who work to reduce poverty and have expertise on the UK welfare system, and reflects core concerns amongst the group.

Further to the briefing sent to you in July, we now offer a shorter list which represents the top twelve concerns of the organisations named above. Organisations will continue to brief on a range of issues relevant to the clients they represent, but if there is limited time for debate and voting, this is a consensus from a number of key bodies on which issues most merit the attention of the House.

We are supportive of the Government's stated overall aims to increase simplicity and fairness in the benefit system, and to ensure that work is an effective route out of poverty. However, we have serious concerns about specific provisions in the Bill, many of which will not deliver these high level aims.

While we are pleased that the Government introduced an amendment to the Bill in the Commons that meant that many of the most important aspects of the Bill will be subject to affirmative resolution, we are nonetheless concerned about the Bill's heavy reliance on regulations - many of which are still unpublished, even in draft form. The Bill represents a once-in-a-generation reform of the welfare system: it is therefore important that the Government provides as much detail as possible about its plans in order that they can be debated in Parliament as fully as possible.

On a number of key issues, we have not been reassured by the responses received from ministers in the debates during the Bill's Commons Committee stage. We have particular concerns around the following areas of the Bill:

- Treatment of disability within Universal Credit
 - o Disabled children and carers (clause 10)
 - o Disabled adults (clause 12)
- Calculation of housing costs within Universal Credit (clause 11)
- Childcare (clause 12)
- Conditionality (clauses 26 and 44)
- Council tax benefit (clause 34)
- Time limiting of (Contributory) Employment and Support Allowance (c-ESA) (clause 51)
- Under occupancy in the social rented sector (clause 68)

- Reform of the Social Fund (clause 69)
 - Qualifying period for Personal Independence Payment (PIP) (clause 79)
 - Benefit cap (clause 93)
 - Delivery issues
 - o Payment of Universal Credit joint claimants (clause 97)
 - o Direct payments of housing benefit to landlords
 - o Frequency of payments
 - o Passported benefits (clause 10)
 - o Face-to-face service
 - Self employed people (schedule 1)
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Treatment of disability within Universal Credit

- **Disabled children and carers (clause 10)**

The Government has announced that the additions for disabled children within the Universal Credit will change to align with the additions for disabled adults.¹

While severely disabled children will receive a very slight increase from current rates, many other children with disabilities will receive **less than half** of their current rates under Universal Credit, through replacement of the disability element of child tax credit with a “disability addition” for a child.

These changes could cost some disabled children up to £1,400 per year.² Government estimates that around 100,000 families could be affected by this change, but we believe the measure could affect significantly more families as this figure does not take into account out-of-work families. We believe that the policy will potentially affect up to 170,000 families and 187,000 disabled children in the UK.³

Disabled children are disproportionately likely to live in poverty and this policy proposal is likely to increase child poverty for these children.

For more information, please contact:

The Children’s Society

Sam Royston
 Poverty and Early Years Adviser
 020 7841 4480
 07969 291251
 Sam.Royston@childrenssociety.org.uk

- **Disabled adults (clause 12)**

The Severe Disability Premium (SDP) is a vital benefit for people who have very frequent care needs, but who live alone and do not have a carer. They therefore have considerably more expense arising from their disability. It appears that the support currently offered by SDP is not going to be offered in the same way under Universal Credit.

¹ <http://www.dwp.gov.uk/docs/ucpbn-1-additions.pdf>

² Families currently receive £2800 p.a but under the new system would receive 26.75 p.w (or £1391 p.a). The latter figure was clarified by Chris Grayling MP in Parliament: HC Deb, 16 June 2011, c930W

³ Every Disabled Child Matters (2011) Disabled Children and the Universal Credit

The Government's proposals will result in all disabled adults losing out except those in the support group. People who will lose the most are those who are currently receiving the SDP, but who are not in the support group.

Calculations by The Children's Society show that loss of the SDP will cost families with a young carer up to £55.30 per week (£2,876 per year).⁴

Many people only able to work part time due to sickness or disability will also lose out under Universal Credit. The support available to those in low-paid work will be in the form of a higher earnings disregard for disabled people, but it looks likely that a narrower group will be able to access this than those currently receiving the disability element of working tax credit.

We believe therefore that SDP should remain as currently provided.

For more information please contact:

Citizens Advice

Sue Royston
Social Policy Officer
020 7833 7153
07968 660631
Sue.royston@citizensadvice.org.uk

Calculation of housing costs within Universal Credit (clause 11)

Clause 11 of the Bill deals with housing costs as part of Universal Credit.

The clause provides for regulations to specify the basis of the amount to be paid in respect of housing costs. It does not provide for benefit entitlement to be related to actual rents in the locality, as existing legislation governing housing benefit does.⁵

We believe that the Bill should be amended to require reviews (conducted jointly between DWP and DCLG) of the extent to which Universal Credit housing costs provision is keeping track of actual rents, and for the calculation of housing costs provision to be amended where necessary to ensure that properties in the private rented sector are affordable. This would require the review to take account of private rents in each area in a similar manner to that currently used by rent officers to determine the Local Housing Allowance.

There is nothing in the Bill to allow for housing costs run-ons (also known as extended payments) when the claimants starts work. Under the current system Housing Benefit (or support for mortgage interest) continues for 4 weeks, helping the claimant with the transition from benefit payments to payments of wages in arrears. Extended payments are widely acknowledged to be the most successful work incentive feature in the current system, but the Bill does not provide the facility for them to continue.

For more information, please contact:

Citizens Advice

Geoff Fimister
Social Policy Officer
020 7833 7082 / 07743 813740
Geoff.fimister@citizensadvice.org.uk

⁴ Available on request

⁵ Section 130 and 130A of the Social Security Contributions and Benefits Act 1992.

Childcare (clause 12)

When introducing the Bill, ministers stressed that the key to the success of the Universal Credit will be ensuring that work always pays and is always seen to pay. The success of the Government's reforms in this regard will depend on the level of childcare support available.⁶

Analysis by the OECD shows that Britain has some of the most expensive childcare in the developed world and that this causes significant disincentives to work for parents on low and middle incomes.⁷

We know that providing financial help with childcare costs is vital to making moving into, and progressing in, employment a realistic option for working parents. Under the current system, the childcare element of Working Tax Credit provides parents with support covering up to 70%⁸ of eligible childcare costs, up to a maximum of childcare costs of £175 for one child, or £300 for two or more children. Significantly, childcare costs are also currently disregarded for the purposes of calculating entitlement to Housing Benefit and Council Tax Benefit, resulting in some households receiving help for up to 95.5% of their childcare costs.

The Government have shared their latest proposals for childcare under Universal Credit with the voluntary sector. We are pleased that they are engaging with the sector and have offered us a chance to respond to their proposals: however, we are extremely concerned at the level of childcare support that they have proposed. Both options presented by the Government involve substantially reducing the cap on maximum eligible childcare costs; to 80% of £100 for one child and £150 for two or more children; or 70% of £125 for one child and £210 for two or more children. When their childcare costs are in excess of the cap, families could face paying to take on additional work which incurs childcare costs, which clearly undermines the principle that work will always pay. The alternative is that working parents – particularly single parents and second earners in couples – will be trapped in part-time work, unable to extend to full-time hours.

The only realistic solution to the problem of providing adequate funding for childcare under Universal Credit is for the Government to increase the level of funding available. As a minimum, the Government should provide a level of support for childcare costs which is equivalent to 80% of the current caps, as was available up to April 2011. To aid simplicity, this should be incorporated as a specific additional element of Universal Credit.

For more information, please contact:

Daycare Trust

Kate Groucutt
Policy & Research Director
020 7940 7522
kgroucutt@daycaretrust.org.uk

Child Poverty Action Group

Tim Nichols
Press & Parliamentary Officer
020 7812 5216
07816 909 302
tnichols@cpag.org.uk

Gingerbread

Caroline Davey
Director of Policy,
Advice & Communications
020 7428 5414
caroline.davey@gingerbread.org.uk

⁶In Scotland there is no statutory duty on local authorities to provide sufficient childcare for working parents, which exists in England and Wales as part of the Childcare Act 2006. Children's groups in Scotland have issued a separate briefing on childcare which is available on request.

⁷ OECD (2011), *Doing Better By Families*

⁸ This was 80% prior to April 2011

Conditionality (clauses 26 and 44)

We believe that the claimant commitment should be co-designed to encourage mutual responsibility and engage the claimant. Conditionality should be tailored to each claimant's barriers as much as support is tailored to their needs. The maximum higher level sanctions period should be reduced from 3 years to 26 weeks.

In the Committee stage in the Commons, the Minister's response on this subject was that there are certain things that the State has to impose, and a claimant may not agree with this, therefore co-design would not work. We would like the Minister to reconsider the purpose of conditionality and the claimant commitment in supporting people back to work. A claimant commitment should be reciprocal, so that a claimant is empowered to gain access to the support needed to increase employability and gain work.

If the employment support provided to a claimant is not adequate, this should be considered in some cases as 'good cause' for failing to comply with an order.

We also believe conditionality requirements should be waived for family and friends carers, at least for the first year after a child moves in, to enable carers to meet the needs of the children and adjust to the upheaval in their lives. Nearly three in ten family and friends carers give up work when they take on the care of a child as a result of difficult family circumstances such as parental drug or alcohol abuse, death, serious illness, imprisonment, or child abuse⁹. Many of the children have special needs or a disability and many have suffered similar multiple adversities to children in local authority care. Increasing numbers of carers will in future be affected by conditionality requirements due to welfare changes such the increase in the state pension age for women.

For more information, please contact:

Child Poverty Action Group
Tim Nichols
Press & Parliamentary Officer
020 7812 5216
07816 909 302
tnichols@cpag.org.uk

Grandparents Plus
Sarah Wellard
Policy and Research Manager
020 8981 8001
sarah.wellard@grandparentsplus.org.uk

Council tax benefit (clause 34)

This clause abolishes Council Tax Benefit (CTB). The Government proposes to replace it with a "localised" version.

Central to this proposal is the replacement of a demand-led scheme (where local authorities are reimbursed for benefit awarded to all who meet the entitlement criteria) with a cash-limited local "pot" (where benefit spending must remain within pre-ordained constraints). This is a fundamental qualitative change with profound implications.

The effects of the change will be exacerbated by the proposed overall 10% cut in spending on CTB.

Problems for non-pensioners will be further exacerbated by the intention to prescribe the rules used to arrive at local CTB for pensioners, protecting their position. This is obviously welcome for pensioners (except that it may be seen as socially divisive; and creates a disincentive for the local authority to promote take-up) but correspondingly increases the impact on non-pensioners.

⁹ Grandparents Plus, What if we said no? Survey report, 2010.

The Government has invited local authorities to consider protecting other groups deemed “vulnerable” - but the more groups that are so defined, the more severe the impact will be on those not protected.

Ministers have suggested that many claimants can best be protected by local authorities’ moving them into work. There are several flaws in this argument:

- There seems to be an assumption that local authorities will in future be able to create jobs almost at will, which would appear to be at odds with likely labour market realities
- Some existing CTB claimants are already in work
- Some existing CTB claimants are unable to work because of ill-health, disability or caring responsibilities and are recognised as such
- Some existing CTB claimants have been officially deemed capable of work, but are in practice unlikely to find a job.

There is no element within basic benefit levels to provide for contributions to council tax. Claimants are therefore likely to experience hardship if they manage to make up CTB shortfalls from basic incomes, and debt if they do not.

In the latter days of Rate Rebates and throughout the period of the poll tax, there was an 80% ceiling on benefit payable to help with local taxation. This created the notorious problem of councils’ pursuing claimants for debts which, while often individually small for the LA, were insurmountable for the claimant. This feature was dropped when council tax was introduced, the poorest claimants being entitled to 100% CTB.

The proposed system promises to replicate this situation for non-pensioners. The combination of cash-limiting + 10% spending cut + pensioner protection will lead to substantial cuts in the maximum payment available: We have spoken to some Local Authorities who have suggested likely minimum contributions of at least 20%.

There are also problems for work incentives, in that an overlap between Universal Credit and localised CTB tapers (withdrawal rates) could push up the maximum overall marginal deduction rate (UC + income tax + national insurance contributions (NICS) + CTB) well beyond the 76% envisaged by the DWP (for UC + income tax + NICS) in its UC proposals. It is clear from the localised CTB consultation paper¹⁰ that this problem has been recognised, but that no solution has been found.

We think it is clear that much greater coherence would be achieved and many problems avoided if CTB were retained as a demand-led benefit, incorporated into the structure of Universal Credit. We would urge that Ministers should be pressed to look at this matter again.

For more information, please contact:

Citizens Advice

Geoff Fimister

Social Policy Officer

020 7833 7062

07743 813740

geoff.fimister@citizensadvice.org.uk

¹⁰ Localising support for Council Tax in England, Department of Communities and Local Government, August 2011

Time limiting of Contributory Employment and Support Allowance (c-ESA) (clause 51)

We oppose the proposal to limit receipt of c-ESA to 12 months for people in the work related activity group. This contradicts the principle that people who have paid National Insurance contributions will be supported if they become too ill to work, and will leave some people facing an unmanageable drop in income at a time when they most need support.

In Committee stage in the Commons, the Minister acknowledged that the decision to introduce a time limit in this way has not been taken on the basis of any evidence which shows that this is a reasonable time frame in which to expect people with a health condition or disability to have recovered, where appropriate, or to have found employment.¹¹ It is regrettable that the Government has not taken this into account when developing this proposal.

For more information, please contact:

Scope

Lucinda Roberts
Parliamentary Manager
020 7619 7245
07974 022 528
lucinda.roberts@scope.org.uk

Scope

Elliot Dunster
Parliamentary Assistant
020 7619 7342
elliott.dunster@scope.org.uk

Under-occupancy in the social rented sector (clauses 11 & 68)

Clauses 11 and 68 of the Bill give powers to the Secretary of State to set, through secondary legislation, the level of housing benefit without any regard to actual rents in the social or private rented sectors.

The Government wants to use this change to introduce, through regulations, cuts to the amount of benefit that people can receive if they are deemed to have a spare bedroom in their council or housing association home. People over pension age are not included in this cut but it will affect disabled people, foster carers, working families on low incomes and families with young children. The measure is punitive, poorly targeted and will do little to address the problems of overcrowding.

- The Department for Work and Pensions estimates that these cuts will affect 670,000 social housing tenants who will lose an average of **£676 per year as a result of this change**.
- There is a very limited supply of one bed properties into which people will be able to move. Modelling by the National Housing Federation shows that about 180,000 social tenants in England are 'under-occupying' two-bed homes, but only 68,230 one-bed social homes came available for letting in the year 2009-10. **People will see a cut in their benefit with little prospect of being able to move to a smaller social home.**
- The cut will hit foster carers **even if foster children are occupying the additional bedrooms** because foster children are not counted as part of the household for the purposes of housing benefit.

Impact on disabled people

- Of the 670,000 claimants expected to be affected, **450,000 (66%) are disabled**.¹² Many social homes are adapted to be accessible for people with disabilities. Research by the National Housing Federation found an estimated 100,000 working-age social housing tenants in the UK claiming housing benefit live in adapted homes with one or more 'spare' bedrooms.¹³

¹¹ Hansard, House of Commons, Welfare Reform Bill Committee, 3 May 2011, column 650

¹² DWP Impact Assessment: Under-occupation of social housing (Feb 2011)

¹³ National Housing Federation research, March 2011, based on analysis of Existing Tenants Survey 2008

- Putting personalised adaptations into new smaller properties will be costly. The average cost of the **relevant grant for this work exceeds £6,500**, a ramp costs £500 and a level access shower costs £3,500. Failure to exempt from this measure disabled people (including families with disabled children) living in adapted properties may therefore lead to a net cost for the taxpayer.

For more information, please contact:

National Housing Federation

Andy Tate
Policy Officer
020 7067 1081
andy.tate@housing.org.uk

Barnardo's

Neera Sharma
Assistant Director, Policy and Research
020 8498 7729
neera.sharma@barnardos.org.uk

Reform of the Social Fund (clause 69)

The Social Fund includes both discretionary and regulated elements. The Government's reforms apply to the discretionary elements (Crisis Loans, Community Care Grants and Budgeting Loans).

Budgeting Loans

Budgeting loans will be replaced by an expansion of the rules on payment of benefits on account, with payments being made where there is a reasonable expectation that they will be recovered, and payment by account allowing for repayments to be taken from future benefit payments.

Community Care Grants and Crisis Loans

The Community Care Grant and Crisis Loan budgets will be transferred to local authorities and the devolved administrations. We are seriously concerned at the intention that the money will not be ring-fenced.

The details of how they will be administered at a local level is not yet known, but DWP accept there will be an initial set up cost and continued cost of administering the services (if local authorities choose to set up services – we understand that they will have complete discretion over what to do with the funding).

Additionally, the post of the Social Fund Commissioner is to be abolished.

We are also greatly concerned about the changes announced to the Crisis Loan system on the 3 March 2011, especially that help will no longer be available to purchase beds and cookers, and the plans to reduce the rate paid for living expenses from 75% to 60%. This will have a great impact on the most vulnerable families with whom we work and could force many to go to doorstep lenders.

The changes to Social Fund will also seriously affect family and friends carers who step in to bring up children who would otherwise be in care. Children often arrive without notice, and carers (most of whom are grandparents or older siblings, often on low incomes) may have to buy beds, clothes and other essentials.

The Social Fund is a lifeline for many of the poorest and most disadvantaged people. The decentralisation of the Social Fund will, in the current financial situation, inevitably lead to less money getting through to people who need it unless it is accompanied by robust guidance. Without such guidance and tight monitoring by the DWP as to how local authorities administer the Fund, there is a risk of inappropriate and confusing regional variation. We also oppose the abolition of the post of Social Fund Commissioner, the independence of which makes an important contribution to the operation of the Fund.

These provisions were included in the legislation while the relevant DWP consultation was still open. The Government response to the consultation, published on 23rd June¹⁴, highlighted that many organisations had concerns over lack of ring-fenced funding, funding allocations, postcode lotteries, appeals mechanisms and no duty on local authorities to deliver the Social Fund. The Government has failed to address our concerns about the above mentioned issues and the impact this will have on the most vulnerable families.

We believe that the Government should:

- Delay implementation of any such proposals until after the introduction of UC in 2013
- Publish a detailed proposal for a replacement scheme, or schemes, based on wide consultation with relevant stakeholders
- Ensure that such a scheme, or schemes, will provide financial protection for all UK citizens for basic living expenses in an emergency or crisis
- Demonstrate the feasibility of such a scheme, or schemes, through a pilot or pathfinder process, and
- Demonstrate how an independent appeals mechanism will be implemented as part of a replacement scheme, or schemes.

For more information, please contact:

Barnardo's

Neera Sharma
Assistant Director, Policy & Research
020 8498 7729
Neera.sharma@barnardos.org.uk

Family Action

Rhian Beynon
Head of Policy & Campaigns
020 7241 7457
Rhian.beynon@family-action.org.uk

Qualifying period for Personal Independence Payment (PIP) (clause 79)

We oppose the proposal to extend the qualifying period for PIP to 6 months – double the time required to qualify for Disability Living Allowance (DLA) in the current system.

We do not agree with the arguments made by the minister during the Commons Committee stage to justify the extension. The Minister argued that PIP, like Disability Living Allowance in the current system, is not an income replacement benefit and that individuals faced with a sudden onset of disability should initially rely on means-tested support.¹⁵

Our common experience is that many people facing illness or disability - especially when diagnosed suddenly - face significant additional costs as a result, even in the first few months of their diagnosis, and often end up in debt as a result. PIP, like Disability Living Allowance in the current system, is intended to meet these additional costs and we can see no reason to double the current qualifying period of 3 months.

We are pleased that the Work and Pensions Select Committee is holding an inquiry into the proposal to replace DLA with PIP, and that the inquiry will cover the issue of the extended qualifying period.

¹⁴ DWP, Local support to replace CCGs and Crisis Loans for Living Expenses in England, Government response to the call for evidence, June 2011, <http://www.dwp.gov.uk/docs/social-fund-localisation-response.pdf>

¹⁵ Hansard, House of Commons, Welfare Reform Bill Committee, 10 May 2011, Column 849

For more information, please contact:

Scope

Lucinda Roberts
Parliamentary Manager
020 7619 7245
07974 022 528
lucinda.roberts@scope.org.uk

Scope

Elliot Dunster
Parliamentary Assistant
020 7619 7342
elliott.dunster@scope.org.uk

Benefit cap (clause 93)

Clause 93 will bring in a new cap on the maximum amount of benefits households can claim, targeted at households in which the adults are out of work but also affecting part-time workers. The cap has been set at the average household earnings of approximately £500 per week (£26k per annum) for couples and single parents, and £350 per week for single people. Prior to the introduction of the Universal Credit, local authorities will impose the cap by cutting Housing Benefit, therefore this measure is in practice a second cut to housing support, following the cuts to local housing allowance which will be introduced from this year.

Our concerns about this policy are as follows:

- There is no clearly stated aim, nor sound evidence to suggest that it will work.
- It is illogical to award benefit according to needs and circumstances, and then remove it arbitrarily by applying a cap.
- The basis for the figures is spurious, because not all income is included - the cap would need to consider wages plus benefits received by working people to make a fairer comparison (made equivalent for family size).
- It is a blunt tool that does not take into account household size or housing costs.
- Many claimants will be forced to move to areas of the country where rents are cheaper but job prospects are lower.
- There is no definition of 'out of work'.
- Where childcare costs are not covered, claimants will be trapped out of work.
- The benefit cap creates a couple penalty as couples will have a higher benefit entitlement than single people.
- The cap treats Housing Benefit and Child Benefit in an illogical way. Both of these benefits are payable to families both in and out of work. The Government has not chosen to use them in its calculation of the average income that in-work families receive to the level of the cap. However, they will count towards calculating the cap for families who are out of work.

We believe that the benefits cap will be unworkable and extremely punitive in practice, and therefore the provisions should be removed from the Bill.

If the provisions are to remain in the Bill, it is critical that there are exemptions for people who will be unfairly affected. The following list is not comprehensive, but could include:

- People recently made redundant. Following redundancy a claimant may within a reasonable timeframe (for example six months) succeed in finding new employment. Delay in the application of the cap for such a family would prevent unnecessary disruption caused by inevitable debt or moving home.

- Claimants leaving work due to sudden sickness or disability such as a stroke or a cancer diagnosis. The Government has stated that households that include a child or an adult entitled to Disability Living Allowance (DLA) will be exempt from the cap. We would expect that once DLA is replaced by the Personal Independence Payment (PIP), a similar exemption would apply. However, there will be a six month qualifying period before a claimant will be entitled to PIP and therefore exempt from the cap on this basis. The Bill should therefore be amended so that claimants leaving work due to sickness or disability are exempt from the cap for a prescribed period, such as six months.
- Single parents who are unable to work. Flexibilities currently exist in the Jobseekers Allowance regime to prevent a single parent from being sanctioned for failing to take a job or leaving a job because of a lack of suitable childcare or breakdown in childcare arrangements. A parent who has to leave work for reasons of childcare or because their child is sick should be exempt from the benefit cap for a prescribed period.
- It is also important that, if support for childcare is extended to those working fewer than 16 hours a week (as the Government intend) that the extra benefit is not counted when determining whether families hit the benefits cap.
- Kinship carers, who may take on responsibility for a number of children when a friend or family member is unable to care for them. In adding these children to their own, the kinship carer may fall foul of the cap and have their income capped at the very time that they are experiencing additional demand. This would be especially true if the carer gives up work to care for the children. Particularly where carers take in sibling groups or still have children of their own living at home, they are likely to be in larger households, with an estimated 10% living in households of five or more people, and 80% three or more¹⁶, compared with a national average household size of 2.4. The alternative for the children would be to be taken into the care system, at much greater financial and emotional cost.
- People in Temporary Accommodation. This tends to be more expensive than mainstream housing because of the nature of the way it is procured and managed. Temporary housing is a fundamental part of the homelessness safety net, and local authorities need a guaranteed supply to allow them to carry out their statutory duties to homeless families. If the cap is imposed on families in TA, local authorities will face significant struggles to procure suitable accommodation for homeless families, in terms of both affordability and location.

For more information, please contact:

The Children's Society

Sam Royston
Poverty & Early Years Policy Adviser
020 7841 4480
07969 291251
sam.royston@childrenssociety.org.uk

Family Action

Rhian Beynon
Head of Policy & Campaigns
020 7241 7457
rhian.beynon@family-action.org.uk

Child Poverty Action Group

Tim Nichols
Press & Parliamentary Officer
020 7812 5216
07816 909 302
tnichols@cpag.org.uk

Delivery issues

- **Payment of Universal Credit to joint claimants (clause 97)**

¹⁶ Grandparents Plus, What if we said no? 2010.

The current proposals for the Universal Credit will mean that where a couple claim is made, payment will be received as a single payment to one person only. Because benefits that used to be paid to the main carer (usually a woman) will now often be paid to the man in a couple, this will decrease the independence of some vulnerable women, and also mean money intended for children is less likely to be used where it is needed. The requirement that Universal Credit payments go to one member of a couple could also act as a financial disincentive for single claimants wishing to enter a relationship.

The Government needs to:

- take into account unequal distribution of finances within some relationships and households.
- ensure that money allocated for childcare and other children's needs reaches them by taking into account evidence which shows that income which comes into a family through the woman is more likely to be spent on children's needs,¹⁷ and at least ensuring payments for childcare go directly to the main carer.
- undertake a thorough investigation into how payment of Universal Credit will impact on people experiencing domestic violence, including financial abuse. We know that money can be used as a form of control in relationships and it is essential that there is a full understanding of this when deciding on payment methods.

We urge government to pursue one of the following options:

1. Let both members receive Universal Credit. Allow couples to split the payment, receiving half each. This would make the most sense, particularly as both members of the couple are currently subject to the conditions placed upon claimants, even if they aren't receiving the payment.
2. Pay Universal Credit to the main carer. This will at least make it more likely children are provided for, and significantly improve the situation of many vulnerable women.
3. Pay benefits labeled for children to the main carer. A lot of research exists showing this will make it more likely for such benefits to be spent on children.

For more information, please contact:

Save the Children

Graham Whitham
UK Policy Adviser – Poverty
0161 249 5135
g.whitham@savethechildren.org.uk

Oxfam

Ben Morgan
Advocacy and Policy Officer, UK Poverty
07917 592455
bmorgan@oxfam.org.uk

- **Direct payments of housing benefit to landlords**

The system should allow tenants the choice to have their housing benefit paid directly to their landlords. This would preserve consumer choice and protect landlords' income streams.

For more information, please contact:

National Housing Federation

Andy Tate
Policy Officer
020 7067 1081
Andy.Tate@housing.org.uk

¹⁷ <http://www.oxfam.org.uk/resources/policy/gender/downloads/gender-perspective-welfare-reform.pdf>

- **Frequency of payments**

Monthly payment of UC is favoured by the government, who argue that this is the modern way, and is how most wages/salaries are paid. We do not accept these arguments for monthly payment of UC. Some 1 in 5 employees is still paid weekly/fortnightly, and many major benefits are paid at least fortnightly. This is not just a problem for a small minority who have difficulty budgeting. Women in low-income families are likely to be hit harder, since they tend to make more frequent purchases which can more easily be given up. In such situations, mothers can often go without. UC should either be paid more frequently to everyone, or everyone should have this choice.

For more information, please contact:

Child Poverty Action Group

Tim Nichols
Press & Parliamentary Officer
020 7812 5216
07816 909 302
tnichols@cpag.org.uk

- **Passported benefits (clause 10)**

Currently, eligibility for passported benefits is determined by the other benefits someone is receiving (that is, it is 'passported' through the other benefits). Since the benefits which currently determine eligibility for passported benefits will cease to exist under Universal Credit, it is critical that provision is modelled on, or integrated within, the structure of Universal Credit. If this is not the case, they will create disincentives to work since claimants may choose not to work more hours because they will lose the passported benefits if they do so.

We are pleased that the Government has asked the Social Security Advisory Committee to look into this matter, and many of the groups that have signed up to this briefing will be presenting options to them to consider.

For more information, please contact:

Child Poverty Action Group

Tim Nichols
020 7812 5216
07816 909302
tnichols@cpag.org.uk

- **Face-to-Face service**

As the housing cost element of Universal Credit is to be delivered mainly through an on-line or telephone based delivery, we are concerned that vulnerable claimants will struggle to apply correctly, resulting in delays and mistakes, causing hardship. Many Housing Benefit claims are currently handled face to face, and all original documents (tenancy agreements, pay slips, immigration papers, birth certificates and national insurance card) are checked, copied and handed back by supporting agents. We seek reassurance that this provision will be retained.

For more information, please contact:

UNISON

Sampson Low
Policy Officer
020 7121 5484
s.low@unison.co.uk

Self-employed people (Schedule 1)

Schedule 1(4) provides for self-employed people to be considered to be earning a set wage. The Government proposed in *Universal Credit: Welfare that works* that this would be set at the national minimum wage for reported hours worked. This is unrealistic, is likely to discourage self-employment as a route to work, and is itself open to abuse by under-reporting working hours.

We are calling for the minimum income floor to apply, if at all, only in cases where a person has artificially reduced their profits in order to maximise their claim to benefit. Businesses nearly always run at a loss when starting up, and even when established can experience a dip in profitability, for example on the loss of a key customer, a bad debt or succession of slow payers, a fall in prices, and so forth. It is also common for profits to fall temporarily when a business takes on its first employee. To impose a minimum income floor in such cases would ignore the reality of how a business operates.

The Government should instead use a similar model to that already used for Working Tax Credit, which, by using the measurement of self-employed profit within the tax system, takes account of loss-making periods and investment in premises, equipment and machinery for the business. In doing so WTC has functioned well as a work incentive for the self-employed. With some 4 million self-employed people in the UK and numbers set to grow, Universal Credit should aim to match that success, not reverse it.

For more information, please contact:

Low Incomes Tax Reform Group

Robin Williamson
Technical Director
01732 779124
07876 030481
rwilliamson@litrg.org.uk

Age UK

Camilla Williamson
020 303 31494
camilla.williamson@ageuk.org.uk

Barnardo's

Oliver Chantler
020 8498 7733
07766 511 710
oliver.chantler@barnardos.org.uk

Catch 22

Kim Harper
020 7336 4820
kim.harper@catch-22.org.uk

Child Poverty Action Group

Tim Nichols
020 7812 5216
07816 909302
tnichols@cpag.org.uk

The Children's Society

Sam Royston
020 7841 4480
07969 291251
sam.royston@childrenssociety.org.uk

Citizens Advice

Bethan Collins
020 7833 7098
07773 284048
bethan.collins@citizensadvice.org.uk

Community Links

Maeve McGoldrick
020 74739644
maeve.mcgoldrick@community-links.org

Gingerbread

Caroline Davey
020 7428 5414
07881 951138
caroline.davey@gingerbread.org.uk

Grandparents Plus

Sarah Wellard
020 8981 8001
sarah.wellard@grandparentsplus.org.uk

Homeless Link

Jacqui McCluskey
020 7840 4429
jacqui.mccluskey@homelesslink.org.uk

Low Incomes Tax Reform Group

Robin Williamson
01732 779124
07876 030481
rwilliamson@litrg.org.uk

National Housing Federation

Andy Tate
020 7067 1081
andy.tate@housing.org.uk

Oxfam

Ben Morgan
01865 472 137
07917 592455
BMorgan@oxfam.org.uk

Save the Children

Flora Alexander
020 7012 6689
F.Alexander@savethechildren.org.uk

Scope

Lucinda Roberts
020 7619 7245
07974 022 528
lucinda.roberts@scope.org.uk

TUC

Richard Exell
020 7467 1319
RExell@tuc.org.uk

UNISON

Sampson Low
020 7121 5484
S.Low@unison.co.uk